



Tai Calon

Community Housing

at the heart of your community

Annual Report and Financial Statements

For the year ended 31st March 2017



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For the year ended 31st March 2017

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Tai Calon Community Housing Limited is a charitable association, registered with Welsh Government (registration number L153) and Registered with charitable rules under the Co-operative and Community Benefit Society Act No. 30950R

Chair of the Board's Report



I am pleased to present Tai Calon's Annual Report and Financial Statements for the period 1 April 2016 to 31 March 2017.

The past year has been extremely busy and challenging. A new Chief Executive, Joe Logan, joined us in September and, under his leadership, staff have worked diligently to address the various challenges we face, particularly tackling areas where performance could be better. As a result, I am pleased to report that significant progress has been achieved across the organisation and that morale has improved greatly.

Nevertheless, we recognise that there are still areas where Tai Calon needs to demonstrate a higher level of performance so the Board continues to work closely with the Executive Team to achieve excellence in all parts of the business.

There is now a very effective relationship between Board Members and the Executive Team. Challenge is robust, but constructive and there is strong mutual trust and respect between us. We have worked together on several strategic projects, including self-evaluation and the stress testing of our business plan.

A number of new members joined the Board during the year and quickly fitted into the team. They come from diverse backgrounds and possess a range of different but relevant experiences. These new members bring much valued knowledge and skills to Board discussions.

As we make clear, tenants are at the heart of everything we do and during this last year we have been working hard to develop a new approach to tenant



and leaseholder engagement, resulting in the development of the Better Together programme. This has been about creating more ways for tenants to engage with us and in a way that suits them. There are now over 100 newly involved tenants. We would like to see more tenants being involved at all levels of the business, including Board membership.

The independent tenant satisfaction survey (STAR) highlighted some concerns which we have made every effort to address. We have reported back to tenants on what we have done following consideration of the feedback. A key area we have tackled has been undertaking a comprehensive review of the repairs policy and processes in order to improve the way in which communication about repairs is handled, and to reduce the time taken to carry out repairs.

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The environment that we are working in is becoming even more complex and challenging. Looking ahead, Tai Calon and its tenants face major challenges. The most significant one currently is the introduction of the planned cap of Housing Benefit at the level of the Local Housing Allowance (LHA). We are very concerned about the potential impact of increased costs on tenants, and equally conscious of the need to ensure our business remains financially viable. This is a key strategic issue that the Board and the Executive team are focusing on in an effort to minimise the effects on tenants and on the business.

On behalf of the Board, I would like to express our sincere thanks to:

All our tenants and residents who make such selfless contributions to our communities and the work of Tai Calon;

Tai Calon staff who work so hard to try and deliver high quality and customer focused services; and

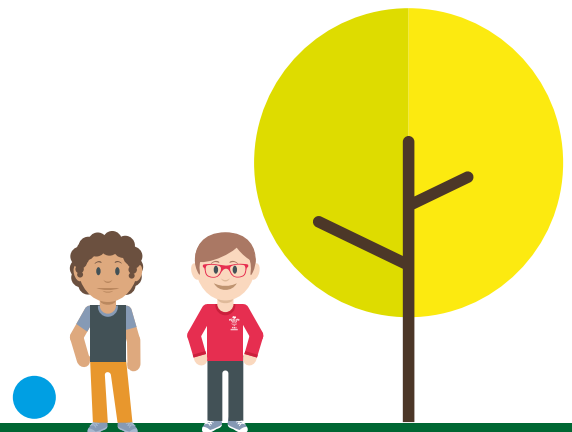
Our partners, in particular our Blaenau Gwent County Borough Council colleagues, our contractors and the many agencies that support our work.

I would also like to mention the Board's appreciation of the support we receive from Nick Smith MP and Alun Davies AM.

Finally, I am confident that going forward we have a competent Board and highly skilled team capable of leading the business and addressing the challenges we face, to ensure Tai Calon continues its development into a forward thinking and dynamic organisation, and becomes one of the best housing associations in Wales.



Dr. Norma Barry
Board Chair



Chief Executive's Report

I joined Tai Calon in September 2016 and now seems a good time to look back and reflect on my first year with the organisation.

I feel we have developed a very positive working relationship between the Board and the Executive (the staff). This is important so that, by working closely together, we can ensure the long term success and high performance of Tai Calon.

Last November we carried out a survey of tenants and residents (STAR) to gauge levels of satisfaction across all our services. The results generally were positive in relation to Tai Calon staff, but not so positive, for example, on the speed with which we carry out repairs. The results of the survey were reported to all tenants and leaseholders in the newsletter; together with a plan of action to address all areas of concern and help achieve improvements in satisfaction in those areas.

We are using the Housemark benchmarking as a strategic tool to measure both our performance and our value for money. This compares us to Housing Associations across Wales and beyond and is really helpful in identifying our strengths and weaknesses. We can then develop our action plans accordingly.

In March 2017, using these sources of data, the Board agreed a strategy to raise standards of performance across the organisation, and with a particular focus on the factors most affecting tenant and leaseholder satisfaction.

As part of this work, we are currently reviewing our repairs services to ensure a speedy response, with improved communication and generally a more customer friendly service.

These repair service proposals are a direct result of the feedback from tenants and leaseholders. Using our 'you said...we did' approach, this enables our customers to directly influence the way we work and is a good example of the partnership approach we take in working with all our tenants and leaseholders.

So, a year on, we are definitely seeing progress.

We have a great team of staff who are committed to delivering the best possible services and getting the most from every pound we spend.

So a big thank you to all our tenants and leaseholders, and to our committed and hard working staff.

Onward and upward!



A handwritten signature in blue ink, appearing to read 'Joe Logan', written over a white background.

Joe Logan
Chief Executive

Background

Tai Calon was established on the 26th July 2010, following the transfer of homes from Blaenau Gwent County Borough Council.

We are a not for profit organisation and Blaenau Gwent's largest social housing provider with over 6,000 homes across the County Borough.

To date, we have invested over £120 million in our homes to ensure they reached and are maintained to the Welsh Housing Quality Standard (WHQS).



Our 2020 Vision is to provide homes and thriving neighbourhoods where people are proud to live.

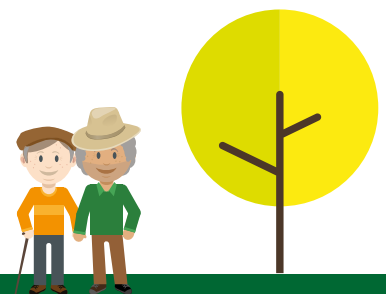
This plan provides a framework of what we intend to achieve in our second five years, 2015 – 2020. Our business strategy and key performance indicators are aligned to both the 2020 Vision and Welsh Government self evaluation requirements.

Over the next five years, we will continue to build on the achievements of the last five years and reaffirm our partnership working between tenants and Tai Calon.

Our vision and values reflect our promise to support tenants, their families, and neighbourhoods so that they thrive and our commitment to keep tenants at the heart of everything we do.

Our organisational values, which support the achievement of the vision, are:

- Focus on tenants and communities
- Work honestly and transparently
- Show respect and professionalism
- Be excellent
- Improve and innovate
- Involve, listen and learn



Our Customer Commitment



We always seek to put tenants at the heart of everything we do. To ensure our customer service standards are as high as possible and all tenants receive a consistently good service, we have developed our Customer Commitment. This was developed by speaking to and listening to customers.

It represents a core attitude to service delivery that is embedded right across the organisation and guided by seven simple principles, all of which we know matter to our customers.

When delivering our services we will:

- 1. See things from the customer's perspective.** - We will understand you, your needs and if we can't do exactly what you want, we will explain why and offer alternatives.
- 2. Make your experience as straight forward as possible.** – We will design our services around simple processes, skilled people and achieving customer satisfaction.
- 3. Always be happy to help.** – We will be polite, respectful and professional making sure you get the help you need when you need it.
- 4. Do what we say we will do.** – We will make sure you know exactly what to expect from us and when we will deliver on our promises.
- 5. Get the communication right.** –We will provide a wide range of ways to get in touch, provide direct contact details and not use jargon. We will find out your communication preferences and use them. We will respond quickly and keep you updated.
- 6. Be open and honest.** – We will keep you informed, letting you know if things change and always being honest about why.
- 7. Be prepared to say sorry.** - If we get it wrong, we will always apologise, investigate why it happened and learn from it.

Alongside the customer commitment we have also developed “Better Together”. Engaging and consulting with tenants is a key priority for Tai Calon, and we held two independent reviews to understand in more detail tenants’ thoughts on how we work best together. The reviews indicated that many tenants are interested in being involved but do not want to use formal groups and meetings. Most want quicker and simpler ways to get engaged and are keen on using local events in neighbourhoods and on estates.

The result is the ‘Better Together’ initiative, where we have developed new ways to involve and consult with our tenants. In 2017/18 there will be more events in the community, such as estate walkabouts, tenant surgeries and events with local tenant associations. We will also retain formal methods of consultation with the establishment of the Tenant Quality Forum, which will help develop strategy and policy, and the Improvement and Scrutiny panel which will help monitor how we are doing and help us improve.

We are developing new measures with our teams to review and monitor how well we engage with tenants. We already have existing Key Performance Indicators to measure how quickly we answer the telephone in our Customer Services Team and run a satisfaction survey to measure tenant satisfaction. In 2016/17 we achieved 97.20% for calls answered and 99.09% for customer satisfaction with our Customer Services Team.



The 2016/17 STAR Survey Results

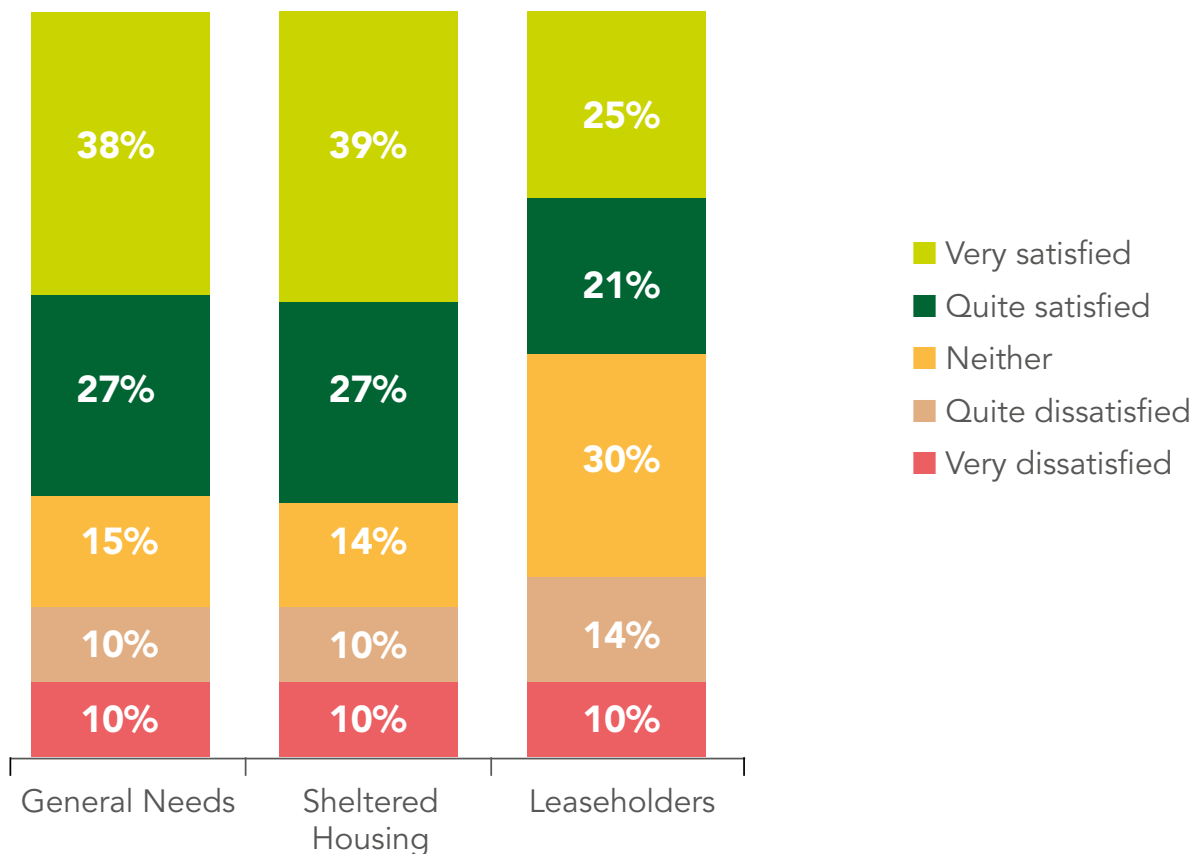
In September 2016, Tai Calon undertook an independent STAR (Satisfaction of Tenants And Residents) survey across all its tenants and leaseholders.

The survey provided an understanding of levels of satisfaction and service priorities. It was sent to 6,129 households and 1,842 surveys were returned, a response rate of approximately 30%.

STAR has been used to identify what is important to tenants, what we already do well and the areas where we need to improve. The results have also been incorporated into each department's annual and strategic action plans.



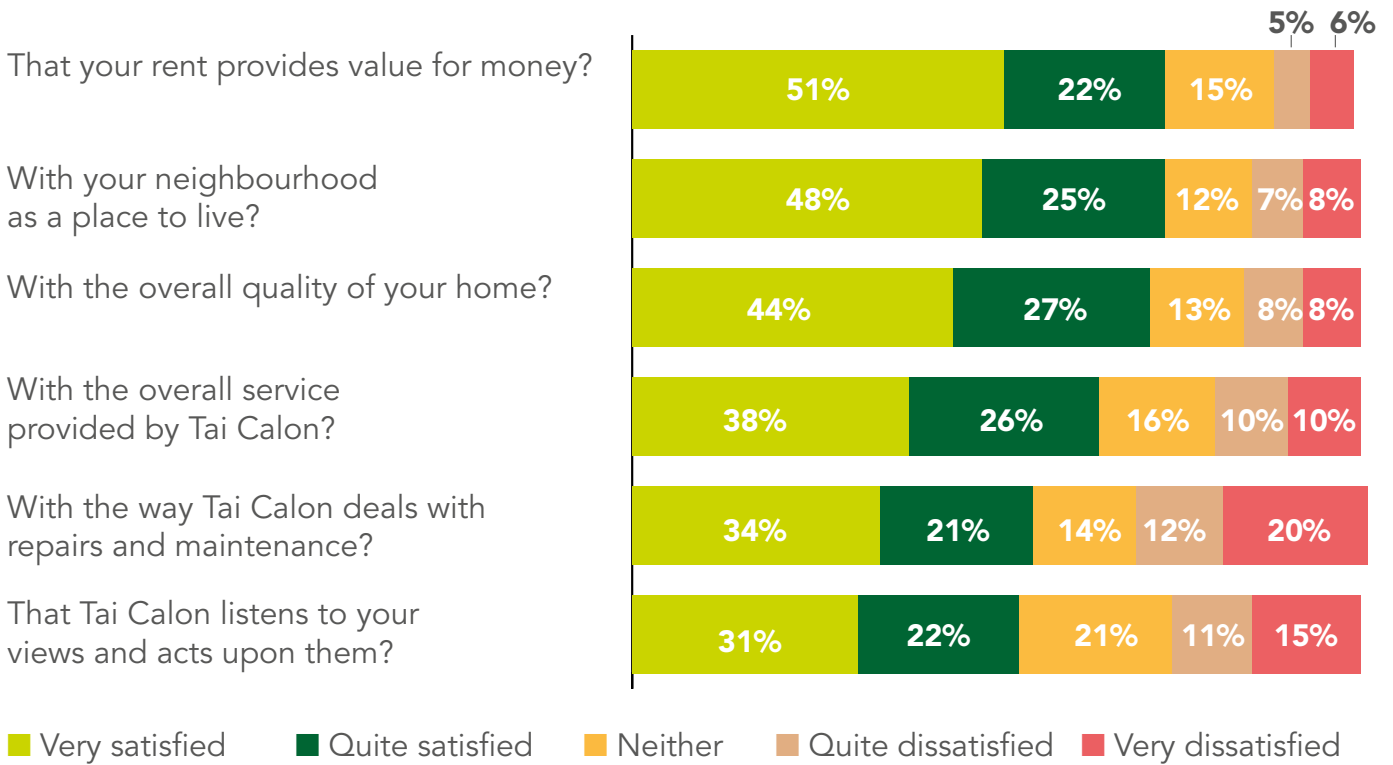
We asked you, "Taking everything into account, how satisfied or dissatisfied are you with the overall service provided by Tai Calon?" And these are the results.



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Q1 ' Taking everything into account, how satisfied or dissatisfied are you:'



Tenants & Leaseholders Combined: 'Which of the following services would you consider to be priorities?'



■ General Needs ■ Sheltered Housing ■ Leaseholders

Examining the results, some clear themes emerged around improving repairs and maintenance and making sure we listen and improve our communications. These have been taken into account in Tai Calon's annual delivery plans and changes will be

made in 2017/18 to address the issues raised by tenants and leaseholders. To monitor progress and improvements, a further STAR survey will be conducted in 2017/18 encompassing all of Tai Calon's neighbourhoods.

Value For Money

At its heart, Value For Money is about:-

- maximising the value of everything we do;
- ensuring that we make the best use of our resources;
- being efficient in allocating resources to the right place;
- being effective in generating the required outcomes.

We also strive to ensure that the decisions we make are fair and equitable to all of our stakeholders.

The various methods we use to measure Value For Money are discussed in more detail on the following pages.



Financial Performance

The 2016/17 financial statements are prepared under Financial Reporting Standard (FRS102) accounting standard and Housing Statement of Recommended Practice (SORP 2014).

The financial result for the year ending 31st March 2017 is a deficit of £6.213 million compared to the previous year of £10.079 million. The change was mainly driven by significant reductions in Operating Costs during the year.

The pension deficit for the year ending 31st March 2017 stands at £13.577 million and has increased by £3.282 million as recognised in the Statement of Comprehensive Income.

The financial statements include a Statement of Cash Flows. The format of this is prescribed by the Welsh Government. This requires the statement to show free cash flow which is considered to be a closer definition of operational efficiency.

2016/17 Financial Statements – Summary Statement of Comprehensive Income

	For the year ended 31 st March 2017	For the year ended 31 st March 2016	Movement
	£'000	£'000	£'000
Turnover	23,353	22,477	876
Operating Expenditure	(23,472)	(27,204)	3,732
Operating Deficit	(119)	(4,727)	4,608
Sale of Assets	452	522	(70)
Net Interest	(4,012)	(4,075)	63
Pension Deficit Adjustment	(2,534)	(1,799)	(735)
Net Deficit on Comprehensive Income for the year	(6,213)	(10,079)	3,866

Turnover has increased by 3.9% from £22.477 million to £23.353 million which has been driven by the increase in rents as set out in Welsh Government rent policy and changes to property numbers. Our operating deficit is £119,000 which is £4.608 million lower than in 2015/16.

The net cost of borrowing was £4.012 million, a decrease of £63,000 on the previous year. This reflects the efficient management of Tai Calon's cash resources during the year with our total borrowings marginally increasing by £750,000 to £72.25 million at the year end. This additional borrowing was in line with the cash flow deficit covenant as agreed with

the funders and helped to support works undertaken to maintain WHQS.

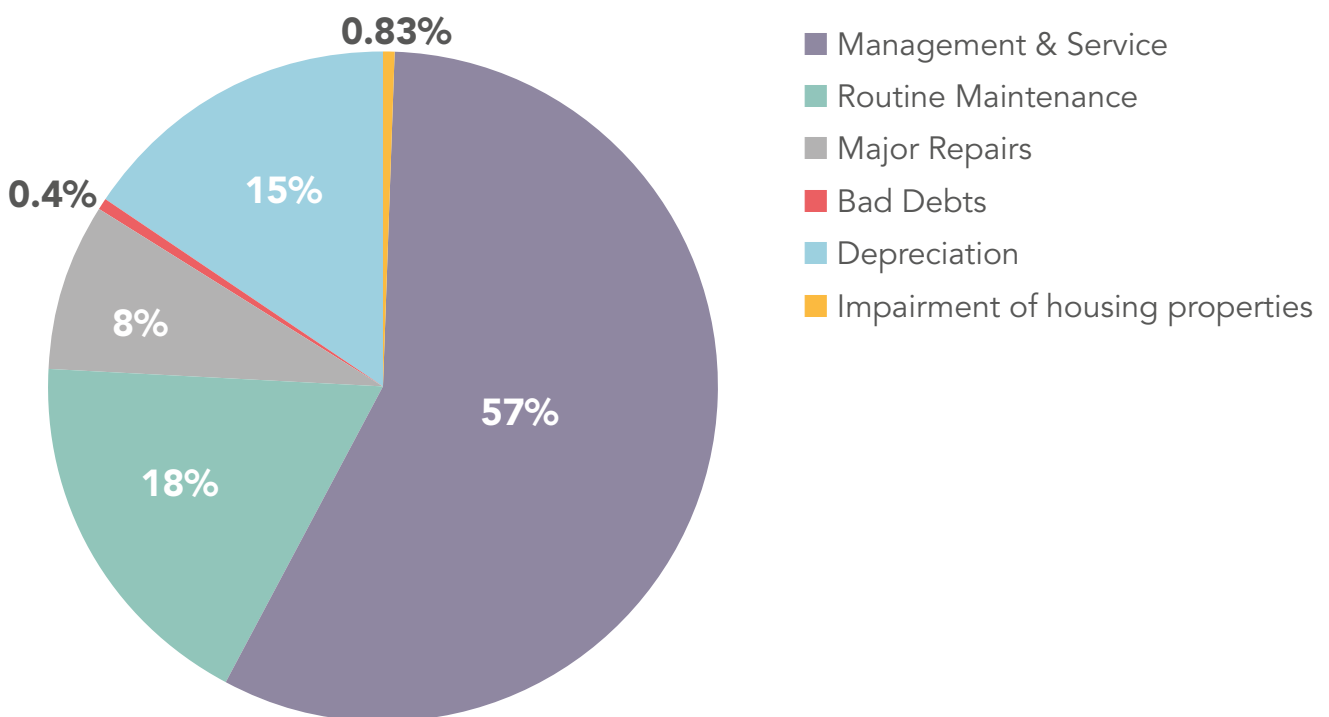
As at the 31st March 2017, Tai Calon has £32.75 million of unutilised funding facility that it could draw upon alongside cash at the bank and in hand totalling £2.276 million. 24% of our borrowing is at a variable rate and 76% is under fixed interest rates. This is compliant with our treasury management strategy.

As part of our annual corporate planning process we have set both our 2017/18 Budget, Medium Term Financial Plan and updated the 30 year Business Plan. The Medium Term Financial Plan identifies that we will continue to increase our debt with cash flow deficits planned until peak debt is reached. Over that period we will continue to improve our housing assets

with a significant windows replacement programme scheduled. The total funding facility is £105 million, of which £25 million is a revolving credit facility which can be drawn, repaid and redrawn as required.

The Business Plan is subject to annual approval by the funders and is reviewed by the Housing Regulator as part of its financial viability judgment. The plan includes a number of key assumptions such as stock condition survey costs, inflation and interest rates, rent increases, the number of empty homes and management costs. These assumptions are regularly reviewed and sensitivity and scenario analysis undertaken. It is pleasing to note that in July 2016 a financial viability judgement of a pass has been issued by the Regulator with no associated actions identified.

Analysis of Operating Expenditure 2016/17



Our Procurement

Tai Calon is a significant purchaser of goods and services in Blaenau Gwent and it is important that we achieve the best Value For Money we can in our procurement.

This is not just about achieving the best price; it also involves using local suppliers where appropriate, paying these suppliers promptly and achieving social, environmental and economic benefit through procurement activities.

In 2016/17 we set ourselves the target of achieving savings of 2% against overall expenditure. We were able to significantly exceed this and actually achieved 12.9% with significant savings against expenditure on the windows replacement programme and installation of new heating.

We use Welsh suppliers where possible. It makes commercial sense and brings good value to do so. In 2016/17 79% of expenditure went to Welsh businesses, significantly exceeding our target of 57%. We also know it is important to our suppliers that we pay them promptly. On average in 2016/17 we paid our suppliers within 35.72 days. We anticipate achieving speedier payments in the future.

Social Value through procurement

For every contract over £1 million we are required to complete the Value Wales Community Benefits Measurement Tool. We also choose to do this for all contracts over £500,000. This is a toolkit designed to capture the social benefits of the contract in addition to the financial value.

By using this tool for an external and internal wall installation contract with a value of £511,848, we demonstrated that we generated £1.84 for every £1 spent. Other outcomes within the contract included; 100% of sub-contractors paid within 30 days and a reduction in long-term unemployment of 3 people.

Community Benefits through Procurement

We also aim to achieve benefits to the community through our procurement activity. This could be via rebates to contracts or donations to the Christmas appeal. In 2016/17 we achieved community benefits of 0.47%, exceeding our target of 0.35%. These included 28 suppliers donating nearly £11,000 to our Christmas appeal. Working with our partners, Blaenau Gwent Social Services, Hafan Cymru and Blaenau Gwent Food Bank, we provided toys and games, food and clothing, Christmas gifts, baby supplies and fuel tokens to local families in need.



Our Surveys and Tenant Satisfaction

In addition to the annual STAR survey, we have asked tenants whether they are satisfied with their neighbourhood and the specific services we provide for them. We have sought opinions on repairs, empty homes, neighbourhood strategic priorities and areas of significant expenditure; it is important that we perform to the standards that tenants expect.



Indicator	2015/16	2016/17	Target
Tenant satisfaction with the repairs process	91.55%	94.04%	95%
Tenant satisfaction with let properties	92.98%	98.66%	92%
Tenant satisfaction with their neighbourhood	90.13%	86.61%	-

Satisfaction with the repairs process narrowly missed the target at 94%. Repairs were a key area of tenant concern in the STAR survey. Combining the data from the STAR survey and our internal repairs survey data, the results suggested that tenants are satisfied with the quality of the repair and the attitude and cleanliness of our staff when they carry out work. They are less satisfied with the time they have to wait for the repair to be done and how well they are kept up to date. Therefore, improvement action in 2017/18 will focus in this area.

Satisfaction with let properties by new tenants exceeded the target at 98.66%. The number of empty homes, the time they are empty and the rent lost while they are unoccupied are key issues to resolve in 2017/18. They are also areas where we compare unfavourably with the rest of Wales using the Value For Money KPIs. It is, however, encouraging that, once a property is let, tenants are very happy with them. In a similar manner to the repairs service, the focus in 2017/18 will be to change our processes so that tenants have to wait less time and we lose less rent.

We introduced a Neighbourhood Satisfaction Survey in the second half of 2016/17. This was a brand new survey so no target was initially set. However, a target of 90% satisfied respondents has been set for 2017/18. Causes of tenant dissatisfaction have focused around litter, parking and anti-social behaviour.

To improve satisfaction we have been working with partners at Blaenau Gwent County Borough Council and agencies such as the DVLA to improve important concerns such as parking.

We also have a range of projects to help address anti-social behaviour and improve our neighbourhoods. Examples of activity include setting up community hubs, working with young people in projects such as the Rainbow Rangers in Newtown, youth schemes such as the Duke of Edinburgh award scheme and a range of neighbourhood clean-ups including Coed Cae, Waenheulog and Bryn Farm areas.

Our Assets

Effective Asset Management and a reduction in the number of empty homes remains a corporate priority. The Board made some significant strategic asset management decisions to progress this priority, including decommissioning three blocks of flats. The ambition is to secure funding to build new homes on some of these sites in the future. Conversion of a small number of homes from three bedrooms to two was also undertaken to better match the housing needs of future tenants. Where this proves to be a successful approach to reducing empty homes, the approach may be extended.

The window replacement programme began along with improvements to external renders, roofing, gardens and the environment around homes. The commencement of the windows programme is a significant step to meeting a specific Offer Document commitment regarding windows.

Work will continue to maintain WHQS and undertake other improvements to homes. The Board approved an investment of £11.3 million in homes and communities between April 2017 and March 2018 as well as indicative medium term investment of £38.5 million between April 2018 and March 2021.

The future medium term Investment Programme is subject to annual review and approval by the Tai Calon Board and is subject to affordability. Over the next 5 years this amounts to a total investment of £49.8 million.

Over the next 5 years Tai Calon aims to deliver investment in homes and communities via four major works programmes:

- Works to Estates and the Environment e.g. Open spaces, roads, car parks and drains
- Works to Gardens and Boundaries e.g. Garden paths, walls, fences and gates
- External works to homes e.g. windows, doors, render and roofing
- Internal works to homes e.g. boilers, electrical wiring, kitchens and bathrooms

These works will maintain compliance with Tai Calon's Welsh Housing Quality Standard Compliance Policy, a copy of which can be found on our website.

The work to be carried out over the next 5 years will be completed in a priority order.



The order is based on the following criteria:

- Health, safety and legal compliance (highest risk first);
- End of WHQS life cycle (earliest failure first);
- Volume of WHQS qualified passes (highest first);
- Volume and cost of associated responsive repairs (highest first);
- Improvements in thermal comfort (highest weather exposure first)
- Improvements in energy efficiency and reduction in utility costs for tenants (least energy efficient first).

The order is also influenced by:

- Tenant satisfaction with neighbourhood
- Stock turnover and number of empty homes
- Demand for homes
- Indices of multiple deprivation
- Poor energy efficiency of homes



Medium Term Investment Programme

	Year 1 (approved) £'000	Year 2 (approved) £'000	Year 3 (Indicative) £'000	Year 4 (Indicative) £'000	Year 5 (Indicative) £'000
	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021
Estates & Environment	£1,200	£1,200	£1,200	£200	£254
Gardens & Boundaries	£1,192	£1,192	£1,192	£1,192	£1,192
External	£7,356	£8,604	£9,071	£5,482	£2,393
Internal	£1,588	£1,619	£1,669	£1,550	£562
Total	£11,336	£12,615	£13,132	£8,424	£4,401

Our Performance and Comparison with others

In 2015/16 the Welsh Government introduced a suite of Value For Money Key Performance Indicators for all housing associations in Wales.

These are designed to provide a starting point for discussion and analysis of Value For Money. The figures for 2016/17, the previous year and the Welsh sector as a whole are detailed in the following table.

It is important that these figures are taken in context. For instance, repair and maintenance costs may be high as one Association's stock is older than another's and requires more maintenance. Differences in cost may also reflect an Association's policies and decisions. For instance, Tai Calon's management costs are relatively high, but this reflects a decision

to invest in our Rent and Income team and the effect can be seen in the strong performance in low rent arrears and levels of bad debt.

We also monitor our performance in other areas by using an agreed set of Operational Key Performance Indicators (KPIs) and targets. These are set each year by the Audit and Risk Committee and a quarterly report is produced showing the latest performance and, where necessary, the plans for improvement. These are outlined along with commentary on each of the main areas.

Value For Money Key Performance Indicators

KPI	Tai Calon 2015/16	Wales Sector Averages 2015/16	Tai Calon 2016/17
Operating costs for lettings per Social Housing unit	£3,757	£4,215	£3,255
Management costs per Social Housing unit	£2,320	£1,360	£2,234
Reactive repair costs per Social Housing unit	£724	£1,033	£700
Major repairs and component costs per Social Housing unit	£918	£1,176	£879
Bad debts per Social Housing unit	£8	£29	£15
"Weighted average cost of capital (current year)"	5.98%	4.5%	5.59%
Free cash flow (before draw down or repayment of loans)	-£10,825	£0.35m	-£5,881
Gross Arrears/Social Housing turnover	1.28%	4.5%	0.93%
Total rent per Social Housing unit	£3,593	£5,158	£3,797
Rental void loss per Social Housing unit	£195	£76	£136
Management and Reactive Repair costs per Social Housing Unit	£3,044	£2,393	£2,934

Operational KPIs

Our performance for 2016/17 against the Key Performance Indicators approved by Board is set out below:



Indicator	2015/16	2016/17	Target
Gas servicing completed to time	99.78%	99.91%	100%
Repairs completed within target time	93.84%	96.48%	96%
Repairs completed Right First Time	80.66%	90%	85%
Current tenant arrears as a % of rent owed	1.29%	1.06%	2%
Amount of rent collected as a % of rent owed	100.26%	100.21%	99%
Percentage of calls answered by Customer Services	96.82%	97.20%	95%
Customer Satisfaction with Customer Services	98.26%	99.09%	95%
Maximum number of empty homes	190	188	183
Income loss as a result of properties being empty as a percentage of total rental income	4.94%	3.56%	3%





Repairs

We completed over 16,000 repairs in 2016/17 with the majority being completed within their target time and completed correctly on the first visit. It is encouraging that we have improved on last year's performance in all areas, and that we have exceeded target for repairs completed within their target time and right first time.

The 2016 STAR survey clearly indicated that tenants view repairs as their highest priority and that satisfaction with repairs has declined since the previous survey. Tenants were most concerned with the time taken before a repair starts, so in 2017/18 we will be improving our processes to ensure tenants are waiting less time for their home to be fixed and they are kept up to date with the status of the repair appointment much more effectively.

We have reduced the number of repairs from over 20,000 in 2015/16 to just over 16,000 homes in 2016/17. We will be looking to further reduce the amount of repairs and make greater use of planned maintenance. We will also be looking to further increase the number of repairs completed correctly the first time as this provides a better service to tenants while simultaneously being much more cost effective for us.

Income Collection

It is critical that we collect income quickly and effectively. Without it, we will not have the funds to keep investing in our homes. Early intervention enables tenants to get help and avoid mounting debt. Therefore, helping tenants to pay rent on time is a real priority for the business.

We've focused on working with tenants to find the right payment method that works for both parties and to make it as easy as possible for them to make a payment. This is an important part of preparing for the launch of Universal Credit, when the majority of tenants in receipt of the benefit will have the rent component paid directly to them rather than to Tai Calon. We now have 1,362 current and former tenants paying by direct debit and we are deploying a Tenant Portal App where tenants can view their rent balance at any time and make a payment by smartphone.

Our Rent and Income team is also focused on working with tenants to prevent rent arrears before they occur, rather than trying to recover them later. This is the right approach, as it prevents the tenant having to go through the stress and anxiety of the arrears process while providing us with a more stable cash flow.



We achieved very good performance in 2017/18. Our arrears from current tenants were 1.06%. This was considerably ahead of the 2% target and a further improvement on 2015/16 performance of 1.29%.

We collected more rent than we were owed in the year, with the amount of rent collected as a percentage of rent owed at 100.21%. This is as a result of our strategy of encouraging tenants to build up a credit balance in the run up to the deployment of Universal Credit, to commence in 2018. Without a credit balance, research shows that there is a significant risk of tenants building up rent arrears.

Welfare reform still presents a significant risk to our income, and we have developed a programme of actions to manage this risk. Universal Credit has the potential to generate sizeable rent arrears so, in addition to the actions already covered, we are looking at engaging with more tenants to make them aware of the issue and whether any changes are required. Similarly, the benefit cap is now in place, and we have visited affected tenants to discuss their income and outgoings. We have also worked with Blaenau Gwent County Borough Council to review their procedures for Discretionary Housing Payments. We remain vigilant to the need to protect our income and support tenants to avoid debt, and these activities along with others will be continued in 2017/18.

Empty Homes

We know that the number of empty homes we have is too high. At the end of 2016/17 there were 188 empty homes against a target of 183. Alongside the financial cost of lost rent and lower income we know there is also a social cost of having homes empty. Each empty home means a person or family who need a home having to wait



longer, as well as a less well maintained street and neighbourhood. We have put a lot of effort this year into researching both what has caused existing tenants to leave our homes, and what features prospective new tenants see as a priority. This information is being used to develop a new way of approaching empty homes, aiming to repair and let them more quickly and easily and then sustain the new tenancy.



Self Evaluation

Self evaluation is the framework that we use to review our performance on governance, our finance and the services we deliver. The evaluation process covers all of our activities including the repairs service, letting homes quickly and rent collection.

The Welsh Government set out delivery outcomes that cover all the activities of a housing association, as well as further guidance on achieving high performance.

We held focus groups with staff, a group of involved tenants and the Board. These sessions discussed what we do well and where we need to improve against each of the delivery outcomes.

To make sure that we took all relevant information into account we then compared the results of the focus group with the STAR survey and our internal performance information before the Board came to a final conclusion.



The results of the self evaluation process are summarised below:

	Delivery Outcome	What our Self Evaluation said:
1	We place the people who want to use our services at the heart of our work – putting the citizen first.	<p>We know that tenants find our staff friendly and are happy with their attitude when they deal with them.</p> <p>To truly put the citizen first we need to understand our tenants and their needs better and to make it easier to complain when they need to.</p>
2	We live public sector values, by conducting our affairs with honesty and integrity and demonstrate good governance through our behaviour.	<p>We aim to treat everyone fairly and have improved our governance through the Board.</p> <p>We also need to get better at listening to tenants and keeping them up to date when we do work on their homes.</p>
3	We make sure our purpose is clear and we achieve what we set out to do - knowing who does what and why.	<p>That everyone in Tai Calon works in the best interests of tenants and that we have a clear direction and strong values.</p> <p>We recognise that we need to innovate more, and develop new ways of providing services and that we need to deliver these changes more quickly.</p>
4	We are a financially sound and viable business	<p>We've tightened up our financial controls considerably, and have a much clearer understanding of the risks we have as a business.</p> <p>We need to get better at learning from others and ensure we provide the best possible Value For Money.</p>
5	We engage with others to enhance and maximise outcomes for our service users and the community.	<p>We have strong links with Blaenau Gwent County Borough Council and other agencies like the Job Centre and Communities First, which we are using to support tenants into employment.</p> <p>We want to improve on the way we provide aids and adaptations so that we make the process quicker and better.</p>

26 Annual Report and Financial Statements

For the year ended 31st March 2017

6	We let homes in a fair, transparent and effective way.	<p>All of our homes are now brought up to the Welsh Housing Quality Standard and new tenants tell us they are happy with their new homes.</p> <p>We know that we have too many empty homes and that this loses us too much money, so we are working hard to make the whole process quicker.</p>
7	We manage our homes effectively.	<p>Our rent arrears are some of the lowest in Wales and we work hard with our tenants to prevent them.</p> <p>We know there is more to do in understanding tenants needs better and then becoming more effective by designing our services around them</p>
8	We repair and maintain homes in an in an efficient, timely and cost effective way.	<p>When we complete repairs we know that our tenants are happy with the quality of the work and attitude of the operative.</p> <p>The STAR survey made it clear though that we need to communicate about repairs better so that tenants have to wait less time for the repair.</p>
9	We provide fair and efficient services for our owners.	<p>That our processes for Right to Buy and Right to Acquire are efficient and fair.</p> <p>We are working hard to improve our service to leaseholders, particularly around repairs, engagement and service charges.</p>



Helping Tenants into Employment

Tai Calon has a responsibility to the communities it serves and prioritises, and to the people within them. Improving tenants' and service users' life chances by helping them obtain skills and employment has a number of benefits; as it improves tenants' physical and mental health and well being as well as increasing their income. It also benefits Tai Calon's income, as tenants are better able to pay their rent and have less exposure to the risks from further welfare reform.

Tai Calon's Employment Training Team have engaged with a variety of partners in 2016/17 to deliver programmes designed to provide training, experience and skills that will enable customers to obtain employment. Highlights include:

Community Work Placements

This programme was run in conjunction with the Department of Work and Pensions. Since the programme started 145 customers have commenced a six-month work placement designed to provide skills and experience that lead to employment. Of the customers who started a work placement, 22% entered employment and three customers gained employment with Tai Calon. The programme had also been successful financially and had generated approximately £87,000 for Tai Calon before ceasing in October 2016.



Dame Kelly Holmes 'Get on Track'

Get on Track is a programme designed to inspire confidence and trust, build team skills and engage unemployed young people who face disadvantage. Top athletes act as mentors for 16 – 25 year olds to help them reach their potential. In March 2017, 11 young people were selected after a series of engagement events and all 11 began the programme. Only one did not complete the programme for the best reason of achieving employment. We are applying for grant funding to extend the programme for a further four years.



Racemakers

In August 2016 Tai Calon (working in partnership with Heads of the Valley Development Company) took 25 tenants and residents to Silverstone for 4 days to work as Racemakers for the Moto GP. All tenants successfully completed Silverstone's Customer Service Training and on return one long-term unemployed resident entered employment stating that the project had given him the confidence to return to work.



Voluntary Work Experience

This programme effectively replaced the Community Work Placement Programme and provides shorter, more focused work placements. Tai Calon works with a range of partners such as Job Centre Plus, Communities First and Bridges into Work to provide the placements. Since January 2017 Tai Calon has facilitated 28 placements with 2 leading to employment with Tai Calon.

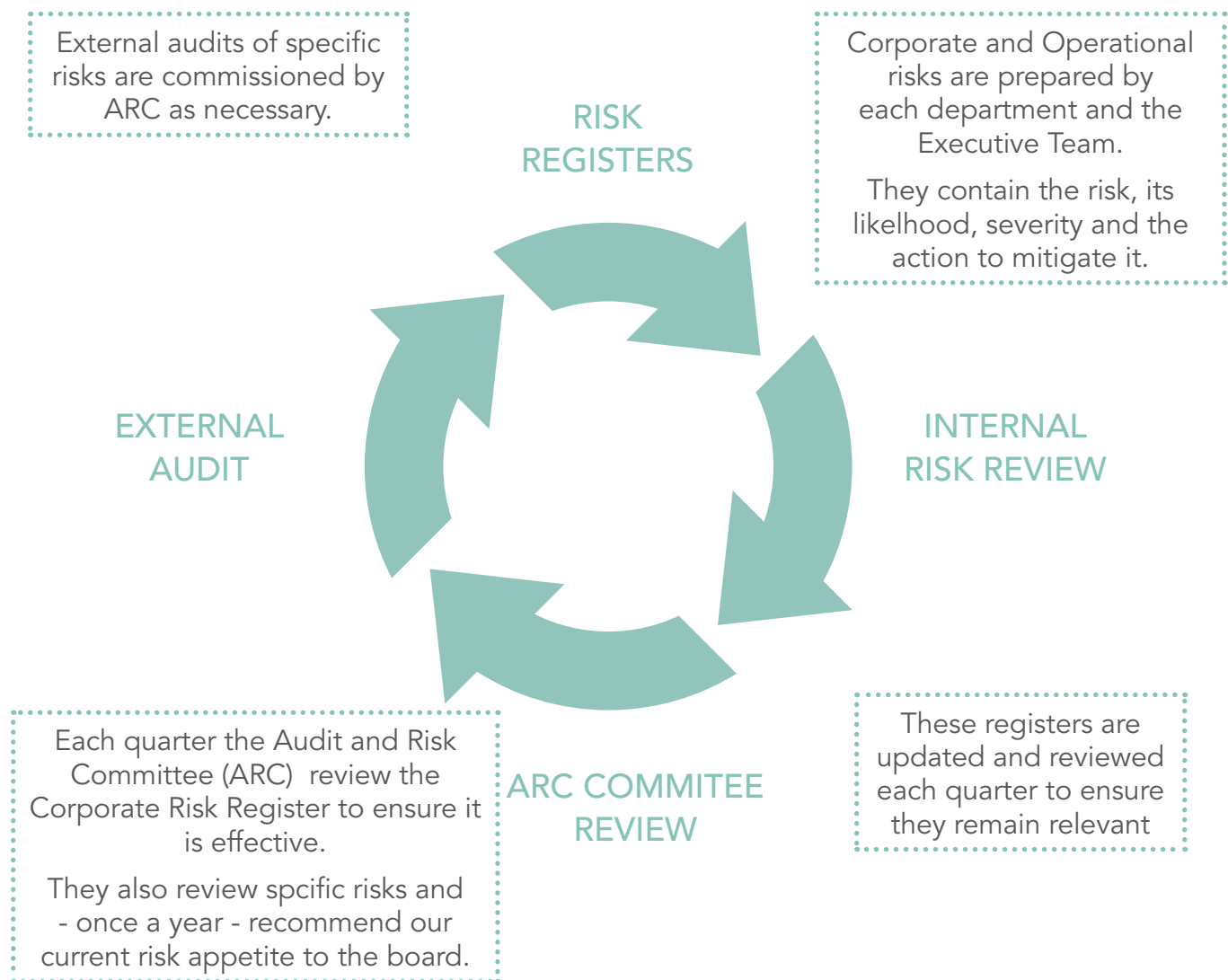
Risk

Managing risk is important if Tai Calon is to operate successfully and in a safe and effective manner. The Welsh Government expects that the Board has a thorough understanding of the risks facing the organisation and to be confident that those risks are being managed effectively. In 2015/16 we put a lot of effort into developing a new risk management approach that identified, categorised and developed actions to mitigate risk within our business. We have continued to use this approach in 2016/17, refining it where

necessary so that risks are prevented wherever possible and mitigated where necessary.

How We Manage Risk:

Tai Calon prepares operational and corporate risk registers containing the main risks identified for the business. Sector risks which affect the entire housing sector, are also reviewed. These are updated quarterly and reviewed by the Audit and Risk Committee. The Audit and Risk Committee (ARC) also commissions external audits where necessary and recommends the risk appetite level to the Board. The process is shown graphically below.



Tai Calon’s Risk Appetite

The Board sets Tai Calon’s risk appetite, based on the recommendation of the Audit and Risk Committee. Risk appetite is defined as ‘the amount and type of risk that an organisation is willing to take in order to meet their strategic objectives’. Our tolerance for various types of risk is set below.

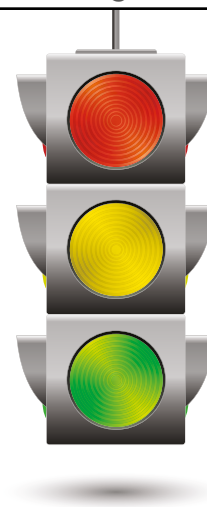
Proposed Strategic Risk Appetite/ Tolerance	Cautious	Tai Calon’s appetite for strategic risk is proposed as cautious. It is recognised that these strategic risks may impact on Tai Calon’s ability to achieve its 2020 Vision. A cautious risk appetite is considered appropriate as deploying further resources on strategic risk would have a limited impact.
Proposed Financial Risk Appetite/ Tolerance	Cautious	Tai Calon’s appetite for financial risks is proposed as cautious. At the Executive meeting there was discussion as to whether minimalistic or cautious was appropriate. It was recognized that material financial risks if untreated would pose a significant threat to the viability of Tai Calon. However it is also noted that there are areas of financial risk, such as welfare reform and rent increases, where the complete avoidance of risk and uncertainty to these external negative threats is impossible. Therefore a cautious financial risk appetite/tolerance should allow financial risks, once tested, to be taken to tackle these issues.
Proposed Operational Risk Appetite/ Tolerance	Open	Tai Calon’s appetite for operational risks is proposed as open. It was recognised that within the current internal and external environment there is a need to move the organisation forward by considering all potential delivery/service options. The Asset Management Strategy is an example of this as it flags that doing nothing is not an option.
Proposed Regulatory Risk Appetite/ Tolerance	Minimalist	Tai Calon’s appetite for regulatory including legal and compliance risks is proposed as minimalist on the basis that the deployment of resources is already at an appropriate level.
Proposed Reputational Risk Appetite/ Tolerance	Cautious	Tai Calon’s appetite for reputational risk is proposed as cautious. It is acknowledged that the impact of reputational risks crystalizing is significant but that there would be more merit in deploying resources to reduce corporate risks generally, which would, over time reduce reputational risks

Key Risks

The table below sets out what we believe to be the current most significant risks to be managed at the moment.

<p>That our employees, tenants, contractors or the general public are not kept safe.</p>	<p>We have a range of policies and procedures in place relating to safety, all of which are regularly reviewed and kept up to date. Safety training is also part of the induction process for all staff and there are regular toolbox talks and Health and Safety training courses in place.</p>
<p>We do not deliver the governance and regulatory improvements required by the Welsh Government leading to further intervention by the Regulator.</p>	<p>We recruited a new Chief Executive and reviewed our Code of Governance and other policies to make sure they are up to date. We have also changed our committee structure to give a clearer focus on performance and risk.</p>
<p>The risk of a major fraud taking place, meaning we incur financial losses and damage to our reputation.</p>	<p>We are always keeping our policies up to date and regularly hold staff training sessions covering the latest fraud risks identified.</p>
<p>Financial plans and assumptions are not accurate enough, leading to us breaching our loan covenants with the funders and causing regulatory intervention.</p>	<p>We've extensively stress tested our plans and keep them under constant review. Our business plans were submitted to the Welsh Government and the funders and were approved. We also received a "Pass" (the highest level) in the 2016/17 Financial Viability Judgement.</p>
<p>The Welsh Government changes its position on rent setting and providing a dowry payment, undermining our financial assumptions.</p>	<p>A prudent approach to rent increases was taken in 2016/17 and we've set up an internal team to look at welfare reform changes. We are also watching closely to ensure that all our planned savings are being achieved.</p>
<p>That we are not able to invest and maintain the Welsh Housing Quality Standard and change our homes to match tenant needs.</p>	<p>The Board signed off a new Asset Management Strategy in December 2016, and we have improved the quality of data we hold on all of our homes. We are also improving what we know about our tenant's preferences so that we invest in the right areas.</p>

<p>UK Government changes to welfare reform affect the incomes of tenants leading to more empty homes and anti-social behaviour.</p>	<p>We monitor the situation with rent arrears due to Welfare Reform weekly and have restructured our teams and processes to ensure we are best aligned to support tenants. We are also working closely with other agencies in Gwent to develop a coordinated response and prepare for the challenge that the Local Housing Allowance Cap will bring.</p>
<p>That there is not enough demand for our empty homes leading to less rental income and higher maintenance costs.</p>	<p>There is a new Asset Management Strategy in place to decide how best to treat each new empty home that becomes available. We have also changed our processes so that we are able to return empty homes to productive use more quickly.</p>
<p>The cultural changes we need to make to deliver the 2020 Vision plan do not take place.</p>	<p>We are now performing regular staff surveys and have changed our one to one process to make it more meaningful. We have also deployed our staff focus groups across the business to understand problems, issues or opportunities in more detail.</p>
<p>That communities in the area continue to decline, undermining our ability to operate as a successful business.</p>	<p>We have our own environmental programme to improve our neighbourhoods. We also work closely with the Blaenau Gwent County Borough Council and the Public Services Board to assist in regenerating the area.</p>



Governance

Tai Calon is governed by the Board and tenant shareholding members and managed by the Executive Team. As a Community Housing Mutual, tenants are entitled to become tenant shareholders and, at the end of the year, shareholder membership stood at 641.

The Board has overall responsibility for the strategic direction, financial probity and for ensuring that we have the appropriate resources available to achieve our goals and standards of service.

The composition of the Board is as follows:

- Six independent Board members – selected by the Board and elected at the Annual General Meeting
- Three tenant Board members – elected by the tenants of Tai Calon at the Annual General Meeting
- Three Council appointed Board members who are nominated by Blaenau Gwent County Borough Council
- Up to three Co-opted members may also be on the Board albeit they may not vote

All our Board members, with the exception of those co-opted, have the right to vote at Board meetings. The Executive Team attend Board meetings but do not have voting rights. Board members work together to deliver the aims and objectives of the Association. The Board meets on average six to eight times a year and a work plan has been established. This plan includes overseeing finances, agreeing policies, monitoring performance, making strategic decisions and generally ensuring good governance is in place across the business. To support this aim we have

adopted the Code of Governance published by Community Housing Cymru. A full review of our compliance with the Code of Governance has been undertaken by the Audit and Risk Committee. The Committee has also reviewed the evidence base which provides assurance to the Regulator in respect of the Compliance Statement.

The Board recognises the importance of self-evaluation. We have undertaken an exercise in 2016/17 which has been integral to our corporate planning process.

In 2015/16 the Board approved updated Standing Orders, Financial Regulations, Scheme of Delegation and Procurement Framework. These have been reviewed during 2016/17 and updated where relevant.

An Audit and Risk Committee is in place. This Committee meets four times a year and is delegated to monitor internal and external audit, risk management and internal controls, fraud and irregularities and reviewing the financial statements. An Operations Committee was established during 2016/17. This meets quarterly and reviews the performance of the organisation in respect of service delivery and tenant engagement. An Executive Appointments and Remuneration Committee meet at least once a year. They review the performance and terms and conditions of the Executive Team.

The Association received a positive Regulatory Opinion in July 2016 which included the highest rated financial viability judgement. As well as the positive regulatory assessment, the organisation has received positive internal and external audit opinions.

Internal control

The Board is responsible for ensuring that our business operates effectively and achieves its objectives.

It is the Board's responsibility to have a system in place that identifies and manages risk. This includes effective internal control systems and procedures to minimise the risk of loss through fraud, corruption, errors and mismanagement. The Board has approved an updated Fraud Policy which aims to achieve these objectives.



Whilst the Board cannot delegate ultimate responsibility for the system of internal control, it has delegated responsibility to the Audit and Risk Committee which will rely on a number of forms of assurance.

To do this the Board has taken three steps:

- Identified/reviewed our business objectives, the possible opportunities and the risks and threats to achieving the objectives.
- Formed/reviewed our framework for managing and identifying risk; and
- Identified how the Board will obtain assurance that the risk management policies adopted are adequate and operating effectively.

The framework we have implemented is based on the following processes:

- Experienced and suitably qualified staff take responsibility for key processes and decisions, staff are appropriately trained and performance supervised and monitored;
- The Audit and Risk Committee continually review and receive reports upon all aspects of internal control to ensure they are working effectively and being followed, including fraud and irregularities;
- Regular reports from directors and senior managers, which cover operational and financial matters, to give assurance that internal controls are working effectively;
- Regular monitoring and reporting of all risk related matters, including results of control of risk management

procedures and strategic and operational risk maps;

- The Audit and Risk Committee reviews and monitors reports from Internal Audit and External Audit to provide reasonable assurance that control procedures are in place and being followed;
- Effective system of monitoring performance on key business areas;
- Effective corporate governance arrangements and compliance with regulatory requirements.

After the tragic events at the Grenfell Tower in London, we have reassessed our own position on homes with external wall insulation (EWI). We do not use the aluminium composite rain screen panels used on Grenfell Tower and have no properties over six storeys. Additionally, EWI has not been fitted to any Tai Calon properties over two storeys. The products we use on all of our houses meet all building regulations and fire safety standards. We make sure that wherever we have fitted EWI we follow the manufacturer's instructions. All EWI systems fitted by Tai Calon are independently assessed by the British Board of Agrément and they provide a (BBA) Certificate if the system passes. The BBA assures the public on their website that "only products and systems that have passed a series of comprehensive assessments – including laboratory tests, on-site evaluations, quality management checks and inspections of production are awarded an Agrément Certificate".

The Association has received a positive annual internal audit statement and has continued its oversight by both the Executive Team and the Audit and



Risk Committee on the implementation of internal audit recommendations. The number of outstanding audit recommendations have reduced and the number outstanding are being proactively managed. The Audit and Risk Committee has reviewed this evidence and reported to Board favourably on the reliability of the system of internal control.

Having reviewed the evidence presented Board are satisfied that there are no weaknesses in our system of internal control which might lead to material losses, contingencies or uncertainties which require disclosure in the financial statements or the auditor's report on the financial statements.

Statement of Board Responsibilities

The Board is responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

The Co-operative and Community Benefit Societies Act 2014 and Registered Social Landlord legislation require the Board to prepare a financial statement for each financial year which gives a true and fair view of the state of affairs and of the surplus or deficit of the Association for that period.

In preparing the financial statement, the Board is required to select suitable accounting policy, as described on pages 45 to 50; and then apply it on a consistent basis, making judgements and estimates that are prudent and reasonable. They must also prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business.

The Board is responsible for keeping proper accounting records, which disclose with reasonable accuracy, at any time, our financial position. This also enables Board to ensure that the financial statements comply with the relevant legislation.

The Board is also responsible for safeguarding our assets and hence reasonable steps are taken to prevent and detect fraud and other irregularities.

The Board is responsible for the maintenance and integrity of corporate and financial information included on our website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

In so far as the Board is aware:

- there is no relevant audit information of which the Association and the auditors are unaware and;
- all steps have been undertaken to make itself aware of any relevant audit information and to establish that the auditors are aware of this information.

Approved on behalf of the Board by:



A handwritten signature in black ink that reads "Norma Barry". The signature is written in a cursive style.

Dr. Norma Barry
Board Chair

24th July 2017

Board Members

Tenant Board Members

Ellen Jones
Delwyn Francis (Resigned March 17)
Tommy Smith (Resigned May 17)
Beverley Lucas (Resigned July 16)

Council Board Members

David White (Appointed May 16 Resigned August 2016)
Keren Bender (Resigned May 17)
Tim Sharrem (Resigned May 17)
Bob Summers (Appointed May 17)
Stewart Healy (Appointed May 17)
Malcolm Day (Appointed May 17)

Independent Board Members

Dr Norma Barry (Chair)
Fred Davies (Vice Chair)
Mark Perry
Katherine Howells
Colber Adamain-Thomas (Appointed September 16)
Joy Robson (Appointed September 16)

Co-opted Board Members

Steve Higginson (Resigned September 16)
Keith Edwards (Resigned September 16)
Kelly Reynolds (Appointed September 16)

Operation Committee Co-opted Board Member

Nigel Perring (Appointed December 16)

Executive Officers

Peter Cahill – Interim Chief Executive from August 2015 to July 2016
Joe Logan – Chief Executive (Appointed September 2016)
Marcia Sinfield – Director of Finance
Paul Davies – Director of Property & Assets (Resigned September 2016)
Andrew Myatt – Director of Communities & Housing
Liz Rogers – Director of Organisational Development, HR and I.T.

38 Annual Report and Financial Statements

For the year ended 31st March 2017

Registered Office

Solis One, Rising Sun Industrial Estate, Blaina, NP13 3JW

External Auditors

Bevan & Buckland, Chartered Accountants & Statutory Auditors, Langdon House, Langdon Road, Swansea, SA1 8QY

Internal Auditors

Service Matters, Orbit Housing Group Limited, Garden Court, Harry Weston Road, Binley Business Park, Coventry, CV3 2SU

Bankers

Barclays Bank, Windsor Court,
3 Windsor Place, Cardiff, CF10 3ZL

Funders

The Royal Bank of Scotland Plc Housing Finance 7th Floor, 135 Bishopsgate London EC2M 3UR	Barclays Bank Windsor Court 3 Windsor Place Cardiff CF10 3ZL
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Independent Auditor's Report

to the members of Tai Calon Community Housing on corporate governance

In addition to our audit on the financial statements for the year ended 31st March 2017, we have reviewed the Board's statement of compliance with the Welsh Government Circular 02/10, Internal Financial Control and Financial Reporting ("the Circular").

The objective of our review is to enable us to conclude on whether the Board has provided the disclosures required by the Circular and whether the statement is consistent with the information of which we are aware from our audit work on the financial statements.

We are not required to form an opinion on the effectiveness of the Association's corporate governance procedures or its internal financial control.

Opinion

With respect to the Board's statement on internal financial control on pages 34 and 35, in our opinion the Board of Management has provided the disclosures required by the Circular and the statement is consistent with the information of which we are aware from our audit work in the financial statements.

We have audited the financial statements of Tai Calon Community Housing for the year ended 31 March 2017 which comprise the statement of comprehensive income, statement of changes in reserves, statement of financial position, the cash flow statement and its related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

This report is made solely to the housing association's members, as a body, in accordance with the Co-operative and Community Benefit Societies Act 2014 and the Accounting Requirements for Registered Social Landlords General Determination (Wales) 2015. Our audit work has been undertaken so that we might state to the association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the group's housing association and the housing association's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the board and auditors

As explained more fully in the Statement of Responsibilities of the Board (set out on page 36), the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland.) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Board of Management, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the financial statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

Opinion on financial statements In our opinion the financial statements:

- give a true and fair view of the state of the association's affairs as at 31st March 2017 and of its income and expenditure for the year then ended, and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Requirements for Registered Social Landlords General Determination (Wales) 2015.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Co-operative and Community Benefit Societies Act 2014 require us to report to you if, in our opinion:

- a satisfactory system of control over transactions has not been maintained; or
- the Association has not kept proper accounting records; or
- the financial statements are not in agreement with the books of account; or
- we have not received all the information and explanations we need for our audit.

Bevan Buckland

Bevan & Buckland Chartered Accountants & Statutory Auditors

Langdon House
Langdon Road
Swansea
SA1 8QY

Date: 27th July 2017



Statement of Comprehensive Income

for the Year Ended 31st March 2017

	Notes	For the year ended 31 st March 2017 £'000	For the year ended 31 st March 2016 £'000
Turnover	3	23,353	22,477
Operating costs	3	(23,472)	(27,204)
Operating surplus / (deficit)		(119)	(4,727)
Surplus on sale of fixed assets	6	452	522
Interest receivable		9	9
Interest payable and similar charges	12	(4,021)	(4,084)
Surplus / (Deficit) on ordinary activities before taxation		(3,679)	(8,280)
Taxation		-	-
Surplus / (Deficit) for the year after tax		(3,679)	(8,280)
Changes in pension past service deficit contribution liability on revaluation		(2,534)	(1,799)
Total Comprehensive income for the year		(6,213)	(10,079)

Tai Calon's income and expenditure relate to continuing operations. There is no difference between the historic cost results and those shown on the income and expenditure account above.

Statement of Changes in Reserves for the Year Ended 31st March 2017

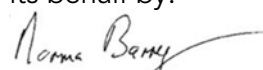
	Income & Expenditure Reserve £'000	Revaluation Reserve £'000	Total Reserve £'000
At 1 st April 2016	(12,314)	48,922	36,608
Deficit from Comprehensive Income	(6,213)		(6,213)
Transfer from Revaluation Reserve	500	(500)	0
At 31st March 2017	(18,027)	48,422	30,395

Statement of Financial Position

as at 31st March 2017

	Notes	For the year ended 31 st March 2017 £'000	For the year ended 31 st March 2016 £'000
NON-CURRENT ASSETS/FIXED ASSETS			
Property, Plant & Equipment			
Social Housing properties	13	122,831	121,562
Other Property, Plant & Equipment	13	11	11
Other Fixed Assets	14	1,867	1,975
		124,709	123,548
Current assets			
Debtors			
Amounts falling due within one year	16	13,805	11,915
Amounts falling due after one year	17	71,159	83,892
Cash at bank and in hand		2,276	2,168
		87,240	97,975
Current liabilities			
Creditors: amounts falling due within one year	18	(30,541)	(33,549)
Social Housing Grant and Other Grants: amounts falling due within one year	15	(431)	(293)
		51,268	64,133
Net current assets			
LGPS pension liability	26	(13,577)	(10,295)
		162,400	177,386
Total assets less current liabilities			
Creditors: amounts falling due after more than one year	19	(124,997)	(132,677)
Social Housing Grant and Other Grants: amounts falling due after one year	15	(12,007)	(8,100)
		30,396	36,609
Total net assets			
Capital and reserves			
Share capital	20	1	1
Income & Expenditure Reserve	21	(18,027)	(12,314)
Revaluation Reserve		48,422	48,922
		30,396	36,609
Total capital and reserves			

The financial statements were approved by the Board of Management on 24th July 2017 and signed on its behalf by:


Dr N Barry
Chair


F Davies
Vice Chair


M Sinfield
Secretary

Statement of Cash Flows for the Year Ended 31st March 2017

Notes	For the year ended 31 st March 2017 £'000	For the year ended 31 st March 2016 £'000
Operating Surplus / (Deficit)	(119)	(4,727)
Adjustments for non cash items		
Depreciation of tangible fixed assets	3,589	3,599
Impairment of tangible fixed assets	194	508
Government grants utilised in the year	(327)	(216)
Working capital movements		
(Increase) / decrease in debtors	11,036	10,338
Decrease/ (increase) in operating creditors	(11,406)	(10,894)
(Decrease) / increase in provisions	(46)	(49)
Decrease / (increase) in stock	(200)	0
Pension deficit cash contributions paid	748	833
Net cash generated from operating activities	3,469	(608)
Interest received	9	9
Interest paid	(4,031)	(4,067)
Prepaid loan fees	52	52
Adjustment for reinvesting in existing activities:		
Purchase of other fixed assets	(43)	(55)
Component replacement	(5,285)	(6,104)
Free cash generated / (consumed) before loan repayments	(5,829)	(10,773)
Loans repaid	(12,000)	(5,000)
Free cash generated / (consumed) after loan repayments	(17,829)	(15,773)
Cash flow from investing activities		
Proceeds from the sale of properties and other fixed assets	787	760
Grants received	4,400	4,200
Cash flow from financing activities		
New secured loans and drawdowns from existing revolving credit facilities	12,750	11,500
Net (decrease) / increase in cash and cash equivalents	108	687
Cash and cash equivalents at the beginning of the year	2,168	1,481
Cash and cash equivalents at the end of the year	2,276	2,168

Notes to the Financial Statements for the Year Ended 31st March 2017

1. Legal Status

Tai Calon is registered under the Co-operative and Community Benefit Society Act 2014 and is a Registered Social Landlord. Tai Calon has adopted charitable rules.

2. Principal Accounting Policies

A summary of significant accounting policies, which have been applied consistently, are set out below:

Format of accounts

The financial statements have been prepared in accordance with the applicable financial reporting statements in the United Kingdom including the Statement of Recommended Practice for "Accounting for Registered Social Providers" as updated in 2014 (Housing SORP 2014), and comply with the Accounting Requirements for Social Landlords registered in Wales General Determination 2015. All amounts are registered in thousands of pounds.

Basis of accounting

The financial statements are prepared on the historical cost basis of accounting.

Basis of preparation

After reviewing the forecasts and projections the Board has a reasonable expectation that there are adequate resources to continue for the foreseeable future. The consolidated financial statements have therefore been prepared on a going concern basis.

Adoption of the Housing SORP 2014

From 2015/16, Tai Calon adopted Housing SORP 2014 and, as appropriate, Financial Reporting Standard 102 ("FRS102"). Tai Calon is classed as a public benefit entity under FRS102.

As part of the introduction of FRS102 the names of the financial statements have changed as follows:

- The Balance Sheet is now the Statement of Financial Position
- The Income and Expenditure Account and the Statement of Total Recognised Surplus/Deficit has been combined to become the Statement of Comprehensive Income & Statement of Changes in Reserves
- The Reserves movement has been renamed to the Statement of Changes in Reserves
- The Cash Flow Statement has become the Statement of Cash Flows

Turnover

Turnover represents rental and other income receivable, income from property sales and revenue grants receivable. It also includes grants reimbursing specific expenditure on the improvement programme and amortisation of Social Housing Grant. Disposals of fixed assets such as Right to Buy sales income are not included in turnover.

Housing properties

Housing properties are held at historic cost less depreciation.

Prior to the introduction of FRS102 properties were stated at nil valuation as they transferred from Blaenau Gwent County Borough Council at nil cost and were also subject to a nil valuation. Historic cost for capital works undertaken since the point of transfer was then included on the Statement of Financial Position at historic cost less depreciation.

Notes to the Financial Statements for the Year Ended 31 March 2016 - Restated for FRS102

Under the transitional provisions under FRS102 in 2015/16 the Board of Tai Calon approved that housing properties would be restated at their social housing existing use value and that this then would be deemed historic cost. This restatement calculation is included in these financial statements. As part of these transitional arrangements a value in respect of freehold land has been identified and is held as a separate fixed asset which is not depreciated.

Any overhead costs directly attributable to bringing fixed assets into their working condition for their intended purpose are capitalised. Expenditure on initial purchase of land and buildings is capitalised and disclosed as part of housing properties in course of construction within tangible fixed assets. Any directly attributable finance costs (other than interest costs) are capitalised as the asset is developed and amortised over the life of that asset. Tai Calon does capitalise interest on loans raised to finance schemes prior to completion.

Some residents have rights under their tenancy agreement to purchase their homes at prices which are at a discount below the open market price. Profits or losses on disposals of properties are recognised as at the date a sale becomes certain. The profit or loss arising on a disposal of a property is the difference between the sale price and the aggregate of the depreciated cost, and any associated costs of disposal such as valuation and legal fees.

Tangible Fixed Assets - Other

Other Tangible Fixed Assets covers capital expenditure which pays for improvements to existing and new non-housing assets. Examples include office premises, scheme equipment, vehicles and office equipment. The depreciation policy applied to these other tangible fixed assets sets out the expected useful economic life in respect of these other fixed asset classes.

Interest payable

Interest payable is charged to the Statement of Comprehensive Income to reflect the costs of loan finance attributable to each accounting period.

Depreciation

Tai Calon depreciates its housing properties in accordance with the Statement of Recommended Practice (SORP) 2014 "Accounting by Registered Social Landlords". Depreciation is charged on the historic cost of property. Freehold land is not depreciated.

Prior to the introduction of FRS102 depreciation was calculated after deducting grants and an amount for residual value was identified.

Following the adoption of FRS102 grant is accounted for separately on the face on the Statement of Financial Position sheet as either a long term or short term creditor. Further detail is included in the accounting policy on grants.

The depreciable amount is written off over the estimated useful lives from the date of purchase / build as follows:

	Houses	Flats
New build properties	150 years	110 years
Acquisition / refurbishments	100 years	100 years

Properties on long leases are depreciated over the shorter of the above and/or the remaining period of the lease.

The policy in respect of expenditure to refurbish or replace major components on housing properties is that all such work is assessed against life cycle costing principles. Any cost in respect of repairs with a life of less than 10 years is charged direct to the Statement of

Notes to the Financial Statements for the Year Ended 31st March 2017

Comprehensive Income. Refurbishment or replacement of major components which have an estimated useful life in excess of 10 years are capitalised and depreciated over the useful life of the component as follows:

Kitchens	15 years
Bathrooms	25 years
Re-wiring	25 years
Boiler Installations	15 years
Central heating	30 years
Roofing	60 years
Windows	30 years
Doors	25 years
Structural works	50 years
Renewable Energy = PV Panels	20 years

Depreciation is charged over the expected useful economic life of other fixed assets as follows:

Office refurbishment	10 years
Office & I.T. equipment	5 years
Vehicles and equipment	5 years
Head Office	50 years

Grants and Amortisation

Tai Calon received financial assistance from the Welsh Government to fund set up costs relating to the transfer of the housing stock from Blaenau Gwent County Borough Council and to fund the refurbishment work required to meet the WHQS. Further financial assistance of £8.4 million has been offered until 2019 and additional financial assistance is intended to be offered until 2041. The amount of further financial assistance will depend upon satisfactory progress being made and compliance with the terms and conditions established by the Welsh Government.

In line with the Housing SORP 2014 capital grants received from government agencies and local authorities are now shown within creditors on the face of the Statement of Financial Position. Grants relating to assets are recognised in income on a straight line basis over the expected useful life of an asset in line with the above depreciation policy. Grants receivable are included as debtors in the financial statements.

Supporting People

Supporting People income and expenditure is accounted for on an accruals basis, matching income and expenditure and disclosures are made in accordance with relevant standards and legislation.

Impairment

Housing properties are annually reviewed for impairment. Where there is evidence of impairment, housing properties are written down to their recoverable amount. During the year the Board approved the recommendation to reclassify a number of hard to let properties as strategic voids pending the consideration of an options appraisal. These properties have been impaired.

Repairs and maintenance

The costs of repairs and maintenance are expensed as incurred on the basis of work done at the date the financial statements are prepared.

Operating leases

Costs in respect of operating leases are charged to the income and expenditure account as they are incurred.

Notes to the Financial Statements for the Year Ended 31st March 2017

Right to Buy sales

Surpluses arising from sales of properties under the Right to Buy legislation are disclosed on the face of the income and expenditure account.

Taxation

Value Added Tax

Tai Calon is registered for VAT. The financial statements include VAT to the extent that it is suffered by Tai Calon and not recoverable from HM Revenue and Customs (HMRC). The balance of the VAT payable or recoverable at the year end is included as a current asset or liability.

VAT Shelter

Tai Calon has a 15 year VAT shelter in place, approved by HMRC. The VAT Shelter transfers the VAT costs of the works required to meet the WHQS to Blaenau Gwent County Borough Council.

As part of the transfer agreement, Blaenau Gwent County Borough Council transferred the properties to Tai Calon with an obligation to undertake the works to meet WHQS at the Council's expense. Tai Calon is entitled to reclaim VAT on the costs incurred in meeting the WHQS as detailed in the Development Agreement.

Under FRS 102/SORP 2014 the Association is required to show the separate elements of the outstanding amounts relating to the original transfer of assets. An amount has been calculated in relation to the value of works still to be completed. This amount has not been based on the original agreement but has instead been based on the experience of the Association in the intervening years as to the true cost of the works to be completed. It is felt that this amount is a more accurate representation of the actual costs still to be completed.

Corporation Tax

Tai Calon Community Housing Limited is regulated by the Financial Conduct Authority as a Community Benefit Society with exempt charitable status. Due to its charitable status Tai Calon is not liable for Corporation Tax on its core activities.

Provisions

Provisions are recognised where uncertainty exists regarding the timing or amount that may be required to settle potential liabilities. Any amounts provided are charged to the income and expenditure account and credited to the Statement of Financial Position based upon Tai Calon's best estimate of potential liabilities.

Employee Benefits:

The cost of all employee benefits, to which employees have become entitled as a result of their service to the Association during the reporting period, should be included as a liability.

Pension costs

Tai Calon participates in the Local Government Pension Scheme (LGPS), a defined benefits scheme managed by Torfaen County Borough Council (Greater Gwent). Contributions are assessed in accordance with the advice of an independent qualified actuary. Certain information concerning the assets, liabilities, income and expenditure relating to the LGPS scheme are disclosed in accordance with Financial Reporting Standard No. 17 – Retirement Benefits (FRS17).

Loans

Basic financial instruments are recognised at amortised historical cost.

Short Term Debtors

Debtors with no stated interest rate and receivable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the Income Statement in other operating expenses.

Revaluation Reserve

Housing Land & Buildings were revalued at the 31st March 2014 based on the basis of deemed costs. The valuation based on deemed cost has resulted in a Revaluation Reserve of £49.917m being created. Depreciation of the 'Deemed Costs' assets will be funded from the Revaluation Reserve.

SIGNIFICANT MANAGEMENT JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

(a) Significant management judgements

The following are management judgements in applying the accounting policies of the Company that have the most significant effect on the amounts recognised in the financial statements.

Impairment of social housing properties

The Company has to make an assessment as to whether an indicator of impairment exists. In making the judgement, management considered the detailed criteria set out in the SORP.

(b) Estimation uncertainty

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

• Fair value measurement

Management uses valuation techniques to determine the fair value of assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management base the assumptions on observable data as far as possible but this is not always available. In that case, management uses the best information available. Estimated fair values may vary from the actual process that would be achievable in an arm's length transaction at the reporting date.

• Provisions

Provisions require management's best estimate of the costs that will be incurred based on legislative and contractual requirements. In addition, the timing of the cash flows and the discount rates used to establish net present value of the obligations require management's judgement.

• Defined benefit pension scheme

The Company has obligations to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the Statement of Financial Position. The assumptions reflect historical experience and current trends.

c) Materiality

If information is misstated, omitted, incorrectly shown or not disclosed, it has the potential to influence or change the decisions or judgements taken by the majority of reasonable persons relying on the financial statements or those charged with governance. The association recognises that any materiality threshold should be based upon what will affect users' decisions. Materiality is a matter of professional judgement influenced by the characteristics of the entity and the perceptions as to who are, or are likely to be, the users of the financial statements and their information needs. The associations gives consideration to a number of quantitative and qualitative judgements in assessing whether a misstatement is material. Separately the association's auditors also consider these points.

Notes to the Financial Statements

for the Year Ended 31st March 2017

3. Turnover, operating costs and deficit

	Year Ended 31 st March 2017			Year ended 31 st March 2016		
	Turnover	Operating Costs	Operating Surplus / (Deficit)	Turnover	Operating Costs	Operating Surplus / (Deficit)
	£'000	£'000	£'000	£'000	£'000	£'000
Social Housing Lettings						
General needs housing	22,798	(23,321)	(523)	22,027	(26,958)	(4,931)
Fully rented housing accommodation	22,798	(23,321)	(523)	22,027	(26,958)	(4,931)
Garages	34	0	34	34	0	34
Other activities	521	(151)	370	416	(246)	170
Total	23,353	(23,472)	(119)	24,477	(27,204)	(4,727)

4. Turnover from lettings

	For the year ended 31 st March 2017 £'000	For the year ended 31 st March 2016 £'000
General Needs and Sheltered Housing		
Rents receivable	21,846	21,246
Service charges receivable	394	393
Income for Support Services	81	82
Amortisation of Social Housing Grant & Other Government Grants	327	216
Other Revenue Grants	150	90
Turnover from Social Housing Lettings	22,798	22,027

Notes to the Financial Statements for the Year Ended 31st March 2017

5. Operating costs from lettings

	General Needs and Sheltered Housing £'000	For the year ended 31 st March 2017 £'000	For the year ended 31 st March 2016 £'000
General needs housing			
Management costs	13,418	13,418	14,222
Routine Maintenance	4,203	4,203	4,437
Major Repairs Expenditure	1,926	1,926	4,369
Bad Debts	93	93	49
Depreciation of housing properties	3,487	3,487	3,373
Impairment of housing properties	194	194	508
Operating costs on social housing activities	23,321	23,321	26,958
Operating Surplus / (Deficit) on social housing lettings	(523)	(523)	(4,931)
Rent losses due to voids (memorandum note)	819	819	1,196

6. Surplus on sale of fixed assets

	For the year ended 31 st March 2017 £'000	For the year ended 31 st March 2016 £'000
Sale proceeds	787	781
Cost of sales	(335)	(259)
Surplus on disposal	452	522

During the year Tai Calon sold nineteen properties under the Right to Buy.

Notes to the Financial Statements

for the Year Ended 31st March 2017

7. Impairment

Impairments totalling £193,614 are reflected in the accounts in notes 13 and 15. During 2016/17 26 long term voids have been removed from the rent roll. An options appraisal will be undertaken on these properties in 2017/18 to assess their long term viability.

8. Operating deficit for the year

	For the year ended 31 st March 2017 £'000	For the year ended 31 st March 2016 £'000
Operating surplus / (deficit) for the year is stated after charging:		
Depreciation	3,589	3,599
Amortisation	327	216
Operating leases – Other	100	246
Bad Debts	93	49
Auditor's remuneration (inclusive of VAT): in their capacity as auditors	15	14

9. Board members and senior executives emoluments

The remuneration paid to the senior executives of Tai Calon was:

	For the year ended 31 st March 2017 £'000	For the year ended 31 st March 2016 £'000
Emoluments (including pension contributions and benefits in kind)*	359	455
Emoluments (excluding pension contributions) paid to the highest paid senior executive	65	128

The Chief Executive was a member of the LGPS pension scheme and no enhanced or special terms apply. The Association's contribution in respect of the Chief Executive's pension fund amounted to £8,032. Tai Calon did not make any further contribution to any individual pension arrangement for the Chief Executive.

Notes to the Financial Statements for the Year Ended 31st March 2017

An interim Chief Executive was appointed between August 2015 and July 2016, the post was contract based and no remuneration was paid other than contract fees. These contract fees are not included in the above figures. A new permanent Chief Executive was appointed in September 2016 and the part year emoluments are included above.

No remuneration was paid to the members of the Board of Management during the year. The emoluments of senior executives, excluding pension contributions, were in the following ranges:

	2017 No.	2016 No.
£nil		
£1 - £50,000	0	0
£50,001 - £60,000	0	0
£60,001 - £70,000	1	1
£70,001 - £80,000	2	3
£80,001 - £90,000	1	0
£90,001 - £100,000	0	1
£100,001 - £110,000	1	0
£110,001 - £120,000	0	0
£120,001 - £130,000	0	0

10. Employee and employer costs

	For the year ended 31 st March 2017 £'000	For the year ended 31 st March 2016 £'000
Staff costs during the year:		
Wages and Salaries	6,894	7,312
Social security costs	677	530
Other pension costs	1,637	1,745
	9,208	9,587
	For the year ended 31 st March 2017 No.	For the year ended 31 st March 2016 No.
Average number of full time equivalent employees during the year:		
Management and administration	137	139
Wardens, caretakers and cleaners	14	18
Housing repair service	105	111
	257	268

Notes to the Financial Statements

for the Year Ended 31st March 2017

11. Interests and related party transactions

During the year Tai Calon provided rented accommodation to five Board members who were tenants of Tai Calon, and charged rent to those members on Tai Calon's standard terms. Tenant Board members are unable to use their position to their advantage. Where Board members are Councillors, any transaction with those local authorities is at an arm's length basis and as such Board members are unable to use their position to their advantage.

12. Interest payable and similar charges

	For the year ended 31 st March 2017 £'000	For the year ended 31 st March 2016 £'000
Interest payable and similar charges	4,021	4,084
	4,021	4,084

Notes to the Financial Statements

for the Year Ended 31st March 2017

13. Property, Plant & Equipment – Housing Land & Buildings

The remuneration paid to the senior executives of Tai Calon was:

	Social Housing Properties Held for letting £'000	Other Property, Plant & Equipment £'000
As at 1 April 2016	131,013	11
Additions during the year – components	5,279	0
Impairments during the year – components	(207)	0
Disposals during the year	(366)	0
At 31st March 2017	135,719	11
Depreciation		
As at 1st April 2016	9,451	0
Charge for the year	3,489	0
Impairments during the year	(21)	0
Disposals during the year	(31)	0
At 31st March 2017	12,888	0
Net book value		
At 31st March 2017	122,831	11
As at 1 st April 2016	121,562	11

Notes to the Financial Statements

for the Year Ended 31st March 2017

Major repairs and investment in existing properties to let during the year amounted to £7.2 million. This has been accounted for as follows:

	For the year ended 31st March 2017 Total £'000	For the year ended 31 st March 2016 Total £'000
Freehold Property and Land		
Planned maintenance (revenue)	1,638	4,369
Investment (capital)	5,279	5,625
Long Leasehold Property and Land		
Planned maintenance (revenue)	288	0
	For the year ended 31st March 2017	For the year ended 31 st March 2016
Units in Management:	No.	No.
General needs housing properties in management	6,005	6,048
General needs housing properties not in management	108	82
Leasehold management services	339	339
	6,452	6,469

Notes to the Financial Statements

for the Year Ended 31st March 2017

14. Property, Plant & Equipment – Other Fixed Assets

	Offices premises £'000	Vehicles & office equipment £'000	For the year ended 31 st March 2017 Total £'000
Cost			
As at 1 st April 2016	2,586	1,010	3,596
Additions during the year – components	0	43	43
At 31st March 2017	2,586	1,053	3,639
Depreciation			
As at 1 April 2016	686	935	1,621
Charge for the year	132	19	151
At 31st March 2017	818	954	1,772
Net book value			
At 31st March 2017	1,768	99	1,867
As at 1 st April 2016	1,900	75	1,975

Notes to the Financial Statements

for the Year Ended 31st March 2017

15. Social Housing Grant & Other Government Grants

	Social Housing Grant £'000	ARBED/CESP Grant £'000	For the year ended 31 st March 2017 Total £'000
At 1 st April 2016	8,383	308	8,691
Additions during the year - components	4,200	200	4,400
Impairments during the year - components	(8)	0	(8)
Disposal during the year - components	(20)	0	(20)
At 31st March 2017	12,555	508	13,063
Amortisation			
At 1 st April 2016 (as previously stated)	288	10	298
Charge of the year	329	0	329
Impairments during the year	(1)	0	(1)
Disposals during the year	(1)	0	(1)
At 31st March 2017	615	10	625
Net Book Value			
At 31st March 2017	11,940	498	12,438
At 1 April 2016	8,095	298	8,393

Gap Funding of £4.2 million has been received from the Welsh Government during the year and £200,000 from ARBED grant funding.

The grants are amortised as follows:

	For the year ended 31 st March 2017 Total £'000	For the year ended 31 st March 2016 Total £'000
Amounts falling due:		
In one year or less	431	293
In more than one year	12,007	8,100
	12,438	8,393

Notes to the Financial Statements

for the Year Ended 31st March 2017

16. Debtors: amounts falling due within one year:

	For the year ended 31 st March 2017 £'000	For the year ended 31 st March 2016 £'000
Arrears of rent, water and service charges	211	281
Less: provision for bad and doubtful debts	(40)	(120)
	171	161
Stock	200	0
Bad Debt Provision - Non Rent Debtors	(87)	(53)
Recoverable VAT	969	536
Debtors and prepayments	652	605
Holiday Pay Asset	12	14
Prepaid Loan Facility Fees	52	52
WHQS / VAT Shelter	11,836	10,600
Total debtors due within one year	13,805	11,915

17. Debtors: amounts falling due after more than one year:

	For the year ended 31 st March 2017 £'000	For the year ended 31 st March 2016 £'000
Prepaid loan facility fees	1,162	1,215
WHQS / VAT Shelter	69,997	82,677
Total debtors due after more than one year	71,159	83,892

18. Creditors: amounts falling due within one year

	For the year ended 31 st March 2017 £'000	For the year ended 31 st March 2016 £'000
Accruals and deferred income	283	322
Capital creditors	14	36
Interest Payable & Similar Charges	325	335
Rent In Advance	304	145
Maintenance and other supplies	415	473
Housing Loans	17,250	21,500
Holiday Pay Liability	114	138
WHQS / VAT Shelter	11,836	10,600
	30,541	33,549

Notes to the Financial Statements

for the Year Ended 31st March 2017

19. Creditors: amounts falling due after more than one year

	For the year ended 31 st March 2017 £'000	For the year ended 31 st March 2016 £'000
Housing Loans	55,000	50,000
WHQS / VAT Shelter	69,997	82,677
	124,997	132,677
Loans repayable by instalments fall due as follows:		
In five years or more	55,000	50,000
Between two and five years	-	-
	55,000	50,000
In one year or less	17,250	21,500
	72,250	71,500

Tai Calon has a loan facility of £105 million on which loan arrangement fees of 1.25% were incurred. The fees are to be written off over 30 years, being the expected life of the loans agreed. £17.25 million has been drawn down on a variable rate basis at rates ranging from 0.25% to 0.55% and £55 million has been drawn down on a fixed rate basis at rates ranging from 1.3% to 4.8%. The loans are secured over the properties held by the Association.

20. Non-equity share capital

	For the year ended 31 st March 2017	For the year ended 31 st March 2016
Shares of £1 issued:		
At 1 st April 2016	769	796
Issued during the year	0	4
Cancelled during the year	(128)	(31)
At 31st March 2017	641	769

The shares provide members with the right to vote at general meetings. The shares carry no right to a dividend, there is no provision for the redemption of shares and there is no provision for a distribution following a winding up.

Notes to the Financial Statements for the Year Ended 31st March 2017

21. Income and Expenditure Reserve

	General Reserve £'000	Designated Reserve £'000	Total Income and Expenditure Reserve £'000
At 1 st April 2016	(13,776)	1,462	(12,314)
Deficit from Comprehensive Income	(6,213)	0	(6,213)
Transfer to designated reserve	(182)	182	0
Transfer from revaluation reserve	500	0	500
At 31st March 2017	(19,671)	1,644	(18,027)

22. Operating leases

At 31st March 2017 Tai Calon had commitments under operating leases as follows:

	For the year ended 31 st March 2017 £'000	For the year ended 31 st March 2016 £'000
Motor vehicle and office equipment expiring :-		
Within one year	262	111
Between two and five years	1,258	-
	1520	111
Operating lease expensed during the year	128	246

23. Capital commitments

	For the year ended 31 st March 2017 £'000	For the year ended 31 March 2016 £'000
Capital expenditure contracted but not provided for in the financial statements	17,365	2,594
Capital expenditure authorised by the Board but not contracted	-	-

These capital commitments will be funded by existing loan facilities, and capital grants from the Welsh Government.

Notes to the Financial Statements

for the Year Ended 31st March 2017

24. Statement of Comprehensive Income Deficit

This year's deficit of £6.213 million has arisen mainly because of continuing major repair expenditure of £1.926 million. This combined with the prior year's results and the £2.534 million actuarial deficit on the pension scheme has led to the Association recognising a deficit on its general reserves of £18.027 million. The pension liability of £13.577 million will only crystallise when all employees exit the pension scheme. The funding of major repairs both now and in the future is covered by existing loan facilities' amounting to £105 million of which £72.25 million has been drawn by the year end.

The Board has a reasonable expectation that Tai Calon has adequate resources to continue operations for the foreseeable future. The Board has approved a 30 year business plan which shows annual surpluses on the Statement of Comprehensive Income from 2026/27. The deficits in the general reserve are due to significant investment required to the housing stock to meet WHQS, which is funded by a £105 million funding facility from Barclays and Royal Bank of Scotland. Since transfer Tai Calon has outperformed the approved business plan and borrowed nearly £14 million less than originally planned. For these reasons the going concern basis has been adopted for these financial statements

25. Pension costs

Tai Calon participates in the Torfaen County Borough Council (Greater Gwent) pension scheme (LGPS). Further information on the scheme is given below:

Local Government Pension Scheme

Tai Calon Community Housing Ltd participates in the Torfaen County Borough Council (Greater Gwent) pension scheme which is a defined benefit scheme based on final pensionable salary. Certain employees of Tai Calon participated in the scheme prior to the stock transfer taking place and, as such, assets or liabilities attributable to these individuals were identified at the transfer date i.e. 26th July 2010. As part of the transfer agreement, liability for the proportion of the debt attributable to these employees that relates to the pre-transfer period rests with Blaenau Gwent County Borough Council. The gains and losses recognised by Tai Calon therefore relate solely to the period since transfer.

The most recent valuation was carried out at the 31st March 2016. Liabilities are valued on an actuarial basis using the projected unit method, which assesses the future liabilities discounted to their present value. Tai Calon's contribution rate from 1st April 2016 to 31st March 2017 was 14.2% of members' contributions. It is projected that employer contributions of £1.157 million will be made for the forthcoming year.

Notes to the Financial Statements for the Year Ended 31st March 2017

The principal assumptions used by the independent qualified actuaries in updating the latest valuations of the fund for FRS102 purposes were:

Employer membership statistics	Number 31 st March 2016	Total Salaries / Pensions £'000 31 st March 2016	Total Salaries / Pensions £'000 31 st March 2016
Actives	239	6,086	51
Deferred Pensioners	73	211	50
Pensioners	54	489	62

Deferred pensioners included undecided leavers and frozen refunds. Salaries are actual, not full time equivalent.

Payroll	Assumed total pensionable payroll based on information provided
1st April 2016 to 31st March 2017	£6,254,000

LGPS early retirements	Number	Total Pension Accrued £	Total Pension Accrued £
New Early Retirements 1 st April 2016 to 31 st March 2017	2	19,717	19,717
Redundancy	-	-	
Efficiency	-	-	
Other		-	

Investment Returns

The return of the Fund in market value terms for the period to 31st March 2017 is based on actual Fund returns as provided by the Administering Authority. Details are given below:

Actual Returns from 1st April 2016 to March 2017	22.5%
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Notes to the Financial Statements

for the Year Ended 31st March 2017

The major categories of plan assets as a percentage of total plan assets		
Period Ended	31 st March 2017	31 st March 2016
Equities	81%	79%
Bonds	17%	17%
Property	2%	3%
Cash	0%	1%

Financial Assumptions		
Period Ended	31 st March 2017 p.a.	31 st March 2016 p.a.
Pension Increase Rate	2.4%	2.2%
Salary Increase Rate	2.8%	3.7%
Discount Rate	2.6%	3.5%

Mortality			
		Male	Female
Current Pensioners		21.5 years	23.9 years
Future Pensioners		23.6 years	26.1 years

Notes to the Financial Statements

for the Year Ended 31st March 2017

Changes in the Fair Value of Plan Assets, Defined Benefit Obligations and Net Liability for the year end 31 st March 2017			
	Assets £'000	Obligations £'000	Net (liability) / asset £'000
Fair Value Plan Assets	31,361		31,361
Present Value of funded liabilities		41,656	(41,656)
Opening Position as at 31st March 2016	31,361	41,656	(10,295)
Service Cost			
Current service cost		1,538	(1,538)
Past service cost		11	(11)
Total Service Cost		1,549	(1,549)
Net Interest			
Interest income on plan assets	1,113		1,113
Interest cost on defined benefit obligation		1,479	(1,479)
Total Net Interest	1,113	1,479	(366)
Total defined benefit cost recognised in Profit or (Loss)	1,113	3,028	(1,915)
Cashflows			
Plan participants contributions	421	421	0
Employer contributions	1,167	0	1,167
Benefits paid	(679)	(679)	0
Expected Closing Position	33,383	44,426	(11,043)
Remeasurements			
Changes in demographic assumptions		(1,277)	1,277
Changes in financial assumptions		8,979	(8,979)
Other experience		1,349	(1,349)
Return on assets excluding amounts included in net interest	6,517		6,517
Total remeasurements recognised in Other Comprehensive Income	6,517	9,051	(2,534)
Fair value of plan assets	39,900		39,900
Present value of funded liabilities		53,477	(53,477)
Closing Position as at 31 March 2017	39,900	53,477	(13,577)



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